

DEPARTMENT OF
TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED APRIL 26, 2006

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDIT ADVISORY COUNCIL

SENATOR J. "TOM" SCHEDLER, CHAIRMAN
REPRESENTATIVE CEDRIC RICHMOND, VICE CHAIRMAN

SENATOR ROBERT J. BARHAM
SENATOR WILLIE L. MOUNT
SENATOR EDWIN R. MURRAY
SENATOR BEN W. NEVERS, SR.
REPRESENTATIVE RICK FARRAR
REPRESENTATIVE HENRY W. "TANK" POWELL
REPRESENTATIVE T. TAYLOR TOWNSEND
REPRESENTATIVE WARREN J. TRICHE, JR.

LEGISLATIVE AUDITOR

STEVE J. THERIOT, CPA

DIRECTOR OF FINANCIAL AUDIT

THOMAS H. COLE, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Seven copies of this public document were produced at an approximate cost of \$17.01. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 3366 or Report ID No. 05202541 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

April 21, 2006

**DEPARTMENT OF TRANSPORTATION
AND DEVELOPMENT
STATE OF LOUISIANA**
Baton Rouge, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 2005, we considered the Department of Transportation and Development's internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the State of Louisiana's financial statements; and we tested the department's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements as required by *Government Auditing Standards*.

The Annual Fiscal Report of the Department of Transportation and Development is not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2005.

**Untimely Collection of Utility Relocation
Assistance Funding Receivables**

The Department of Transportation and Development (DOTD) has failed to properly monitor Utility Relocation Assistance Funding (URAF) receivables to ensure timely collection of amounts due from publicly owned utilities for utility relocations within highway right-of-ways. According to the Louisiana Administrative Code Title 70, Part II, Chapter 3, section 301 (A), "When a publicly owned, non-profit utility is not able to bear its share of the cost for adjusting its facilities to accommodate a highway project, it may apply for funding under R.S. 48:381(C) hereinafter referred to as Utility Relocation Assistance Funding." Furthermore, section 301 (A)(1)(c) states, "URAF funding is neither a loan nor a grant and there is no interest charged on this money. However, the utility must repay this money eventually, or it will not be allowed to locate its facilities within highway right-of-way." Good internal controls should include adopting and

implementing policies and procedures to ensure the adequate monitoring and timely collection of these receivables.

Based on documentation provided by DOTD, as of June 15, 2005, there are 131 outstanding URAF accounts totaling \$19,293,992. Effective dates on the URAF funding agreements between DOTD and the utilities for these outstanding accounts are between March 4, 1981, and October 1, 2002. Management of DOTD has provided documentation of only one attempt to collect these receivable balances since these agreements have been in effect. However, management has provided a draft URAF Action Plan that includes monitoring and collection procedures for these accounts.

Management of DOTD should finalize and implement these policies and procedures, begin immediate monitoring of these accounts, and pursue collecting amounts owed. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

Deficiency in Disaster Recovery Plan

DOTD does not have access to an offsite disaster recovery facility as a part of its comprehensive disaster recovery/business continuity plan. Good internal control requires that the department have a disaster recovery plan that provides for the timely restoration and continuity of critical business operations in the event that normal data processing facilities are unavailable for an extended period of time.

The department's data processing system maintains accounting and project records for all infrastructure (roads, bridges, right-of-ways, et cetera) in the state. Although the department has a comprehensive disaster recovery plan in place, that plan assumes there is an offsite recovery facility in place. Although there are state designated facilities that could be used to rebuild the infrastructure, that portion of the plan is not defined and, therefore, could not be tested.

Failure to obtain access to a remote processing facility and to test all portions of the disaster recovery plan increases the risk that, in the event of a disaster, the department will be unable to provide timely restoration and continuity of critical operations.

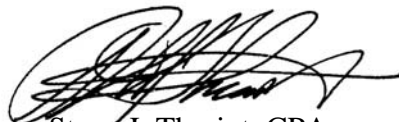
Management of DOTD should obtain access to a remote processing facility having the same operating system as the department and adequately test its disaster recovery plan to ensure that, in the event of a disaster, data can be processed and operations can continue with minimal disruption of services. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 2-3).

Additional Comments: Management's response indicates that we are mandating a "hot site" for an offsite recovery facility. Rather, we are recommending that the department needs to define an offsite disaster recovery facility in its comprehensive disaster recovery plan appropriate for its needs and include procedures for testing the facility in its recovery process. Offsite disaster recovery facilities can include a hot site, a warm site, or a cold site, depending on the requirements of its mission-critical applications, as determined by the department.

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the department. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the department should be considered in reaching decisions on courses of action. Findings relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of the department and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

AOE:BQD:THC:dl

DOTD05

This page is intentionally blank.

Management's Corrective Action Plans and Responses to the Findings and Recommendations



KATHLEEN BABINEAUX BLANCO
GOVERNOR

**STATE OF LOUISIANA
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT**

P.O. Box 94245
Baton Rouge, Louisiana 70804-9245
www.dotd.louisiana.gov

March 16, 2006



JOHNNY B. BRADBERRY
SECRETARY

Mr. Steve J. Theriot, CPA
Legislative Auditor
1600 North Third Street
PO Box 94397
Baton Rouge, La. 70804-9397

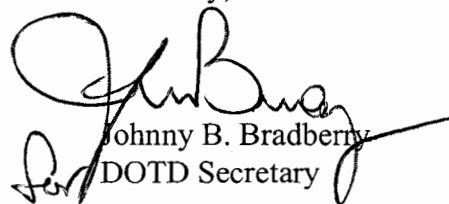
Re: Untimely Collection of Utility Relocation
Assistance Funding Receivables

Dear Mr. Theriot:

The Department is in receipt of your audit findings titled Untimely Collection of Utility Relocation Assistance Funding (URAF) Receivables. We concur with your findings with exceptions. We feel that the issue of collecting older receivables requires a degree of sensitivity. The Department has finalized its action plan that was noted in the findings, but we have plans of presenting this plan to the Transportation Committee prior to beginning any collection requests. We predict that once the action plan takes affect and we begin sending Letters of Demand to these non-profit public utilities, there will be an influx of calls to our Representatives and Senators throughout the state.

Our action plan entails sending out Letters of Demand to all companies with outstanding URAF. Then we would try to work out a payment plan for those receivables. If all else fails, the Department would file suit to collect these monies. This plan will be worked through the Utility Relocation Section and the point of contact is Trey Jesclard, who can be reached at 225-379-1445. The anticipated completion date for having all Letters of Demand sent and payment plans established is June 30, 2008.

Sincerely,


Johnny B. Bradberry
DOTD Secretary

TJ/tj



KATHLEEN BABINEAUX BLANCO
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT

P.O. Box 94245
Baton Rouge, Louisiana 70804-9245

www.dotd.louisiana.gov
{put your office telephone number here}



JOHNNY B. BRADBERRY
SECRETARY

March 18, 2006

Steve J. Theriot, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Subject: Legislative Auditor findings response
"Deficiency in Disaster Recovery Plan"

Dear Mr. Theriot:

DOTD has a hardened facility which houses our computer systems. The facility includes a UPS and a generator to provide power in the event of a short or long term electrical outage. The DOTD computer room is equipped with halon fire suppression systems as well as water, temperature, and humidity detectors. There is a separate cooling system that complements the building cooling system that can sustain our operations in the event that the DOTD main cooling system fails. We have a tape vault that is designed to protect valuable tape data backups onsite and we store critical data backups offsite through a contract we have with Iron Mountain in a facility designed to provide for secure and environmentally controlled storage of computer data. For our mission critical systems, we either have duplicate hardware systems where practical or hardened systems that provide component redundancy in their architecture. We are very comfortable with the redundancy in our design and feel that we can handle all but the most catastrophic events.

The following comments are based on a phone call which Dominic Cali, DOTD IT Director, had with Adele English, Legislative Auditor assigned to DOTD. The citing is rather vague, referencing: "state designated facilities that could be used to rebuild the infrastructure". It was explained during the call that this is a reference to the state consolidation centers (DPS and DOA). To our knowledge no state computer center has been designated as a Hot Site service for state agencies. While the DOA Computer Center and the Department of Public Safety Computer Center are recognized as the state's computer consolidation centers, we were not aware that these centers were also designated as Hot Sites for state agencies. Mr. Cali has communicated with Rex McDonald, DPS IT Director and Randy Walker, DOA IT Director, who have confirmed that they do not currently provide Hot Site services for other state agencies.

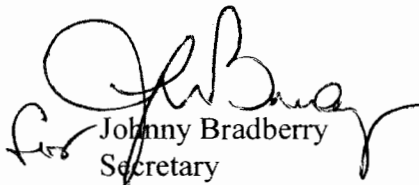
In addition, while we recognize the need for a Hot Site for emergency situations, we have not allocated the funds necessary for a contract for a Hot Site service due to other priorities and as a result have not tested a Hot Site. In fact, we were not aware that a Hot Site was a mandatory requirement. There are several methods to plan for disaster recovery - the Hot Site service is the most expensive and assumes that you need immediate system availability. I would agree that a Hot Site is the optimum solution but the cost of the service has to be weighed against the risk of a catastrophic event occurring that would render our facility and equipment unusable. There are no funds available in this Fiscal Year's budget to acquire these services.

In summary, while I do not concur that a Hot Site service should be mandatory for DOTD, I concur with the finding that we have not performed a Hot Site test. Derrick Condalary, DOTD IT Deputy Director, has been designated as the contact person responsible for the corrective action. The corrective action will be to request the necessary funds and if provided to establish a Hot Site service contract. Mr. Condalary will also request additional travel funds to perform the Hot Site test as identified in the finding. The anticipated tasks and completion dates are as follows:

- 1) Develop budget request and required OIT forms (IT-10) for a Hot Site service contract
October 1, 2006 (next budget cycle)
- 2) Receive additional funds for Hot Site – July 1, 2007
- 3) Select and negotiate a contract for a Hot Site service – October 30, 2007
- 4) Schedule a Hot Site test date, travel to Hot Site facility, and execute disaster recovery plan
December 30, 2007
- 5) If step 4 is not successfully completed, repeat step 4 until satisfactorily completed.

If you need any additional information, please contact Dominic Cali at 379-1613 (DomCali@DOTD.Louisiana.gov) or Derrick Condalary at 379-1648 (DerrickCondalary@DOTD.Louisiana.gov).

Sincerely,


Johnny Bradberry
Secretary

cc: Michael Bridges
Derrick Condalary
Judy Versaw